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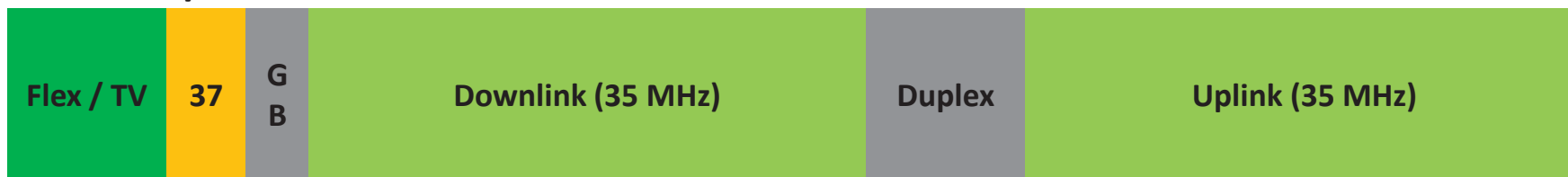
# Overview of Incentive Auction Issues

December 13, 2013

# Support for 35x35 MHz “Down from 51” Plan



## T-Mobile / Verizon Joint Band Plan\*

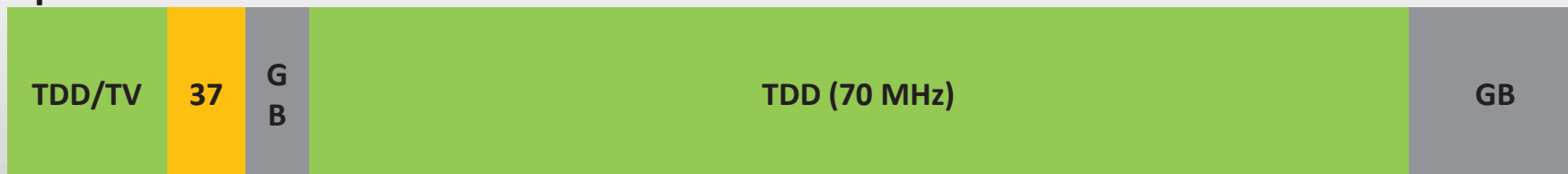


## AT&T\*



\* AT&T has endorsed the T-Mobile / Verizon Joint Band Plan for clearing scenarios 84 MHz and above.

## Sprint

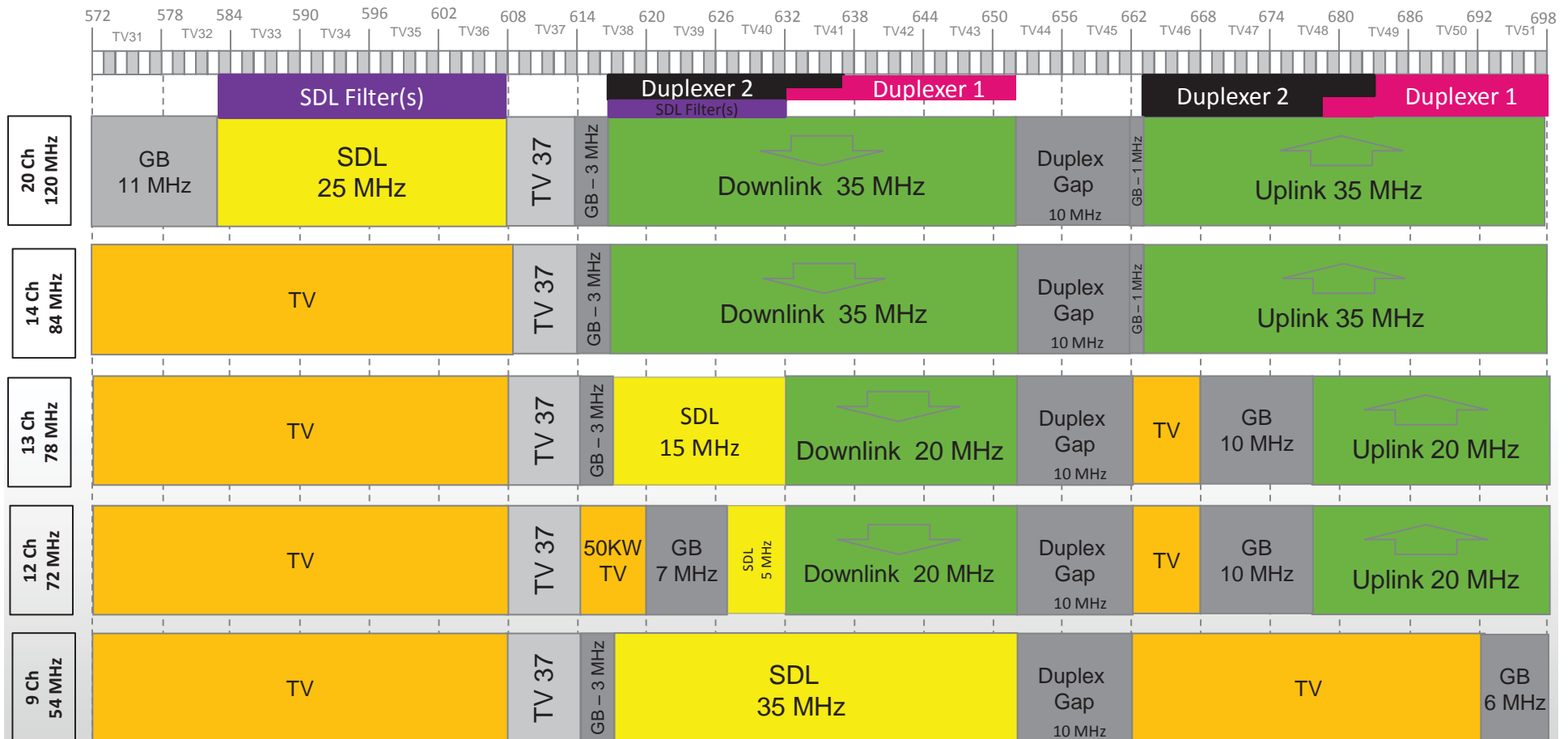


# Support for 35x35 MHz “Down from 51” Plan

## 35x35 MHz Plan Accommodates Variations



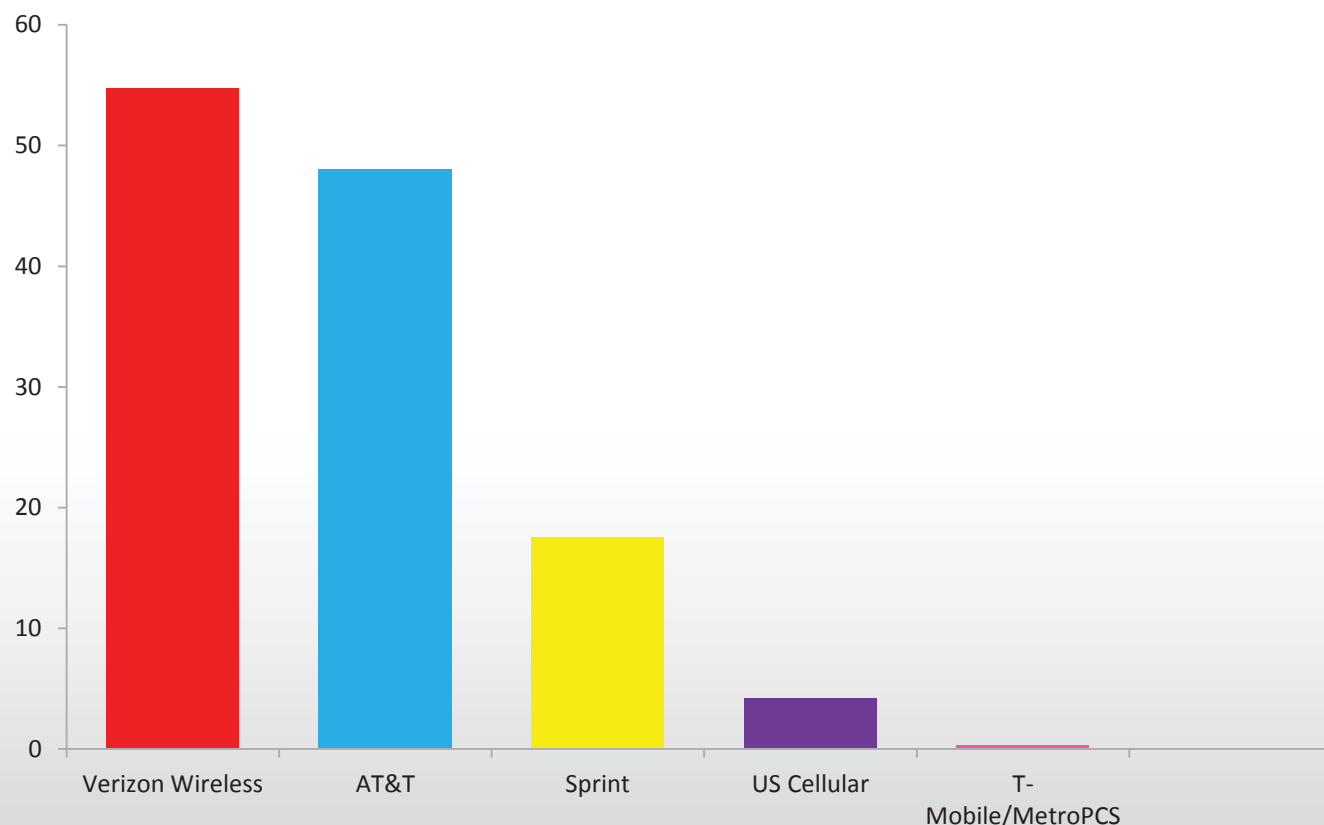
### T-Mobile / Verizon Joint Band Plan



# Low-band Spectrum is Highly Concentrated



Spectrum holdings below 1 GHz  
(population-weighted average megahertz)

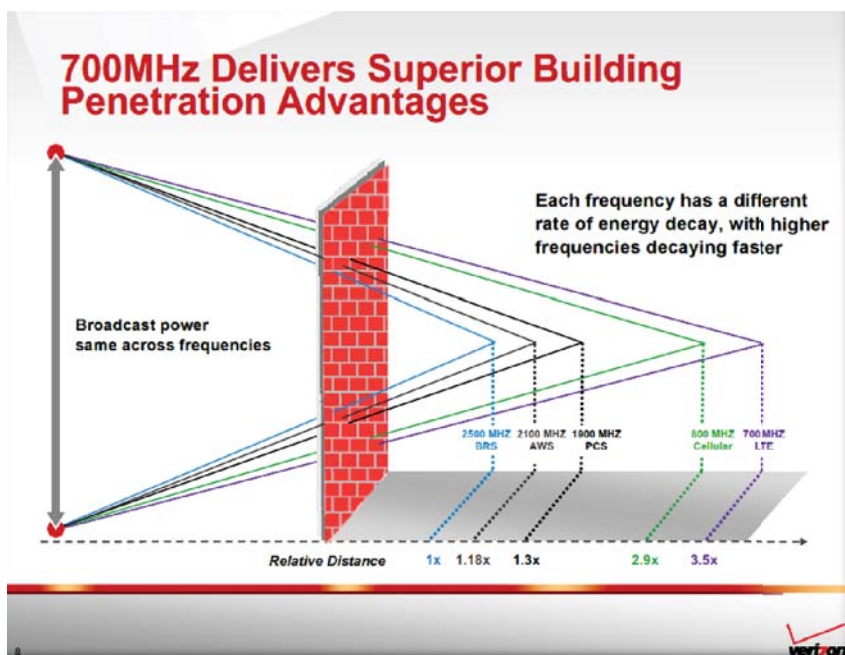


Source: Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Mobile Conditions with Respect to Commercial Mobile Services, Sixteenth Report, WT Docket No. 11-186, ¶ 118 (rel. Mar. 21, 2013).

- The nation's two largest wireless carriers control vast amounts of "beachfront" spectrum below 1 GHz while largely avoiding competitive scrutiny
- Verizon and AT&T hold 86% of the below 1 GHz spectrum in the top 10 U.S. markets and more than 80% in the top 50 markets.

Source: Sprint Nextel Comments, WT Docket No. 12-269 (filed Nov. 28, 2012) at 5-6.

# Low-Band Spectrum Necessary to Compete



Lowell McAdam, President & CEO, Verizon Wireless, Presentation to Barclays Capital (May 26, 2010), available at [http://www.verizon.com/idc/groups/public/documents/adacct/event\\_965\\_precol.pdf#page=8](http://www.verizon.com/idc/groups/public/documents/adacct/event_965_precol.pdf#page=8)

- AT&T's CEO: Low-band spectrum is "beachfront property" and "propagates like a bandit"
- Verizon's CFO: Low-band spectrum has "very high" propagation into buildings

***In-building penetration and rural coverage is essential to compete***

- A one-third limit on below 1 GHz holdings addresses market power
  - Minimum access exception ensures a 5x5 MHz license is available in all markets
  - AT&T could win two or more licenses in >70% of markets at 84 MHz.
- To protect competition and consumers, the Administration through the DOJ supports below 1 GHz spectrum-aggregation limits
- Dynamic Market Rule ensures clearing targets and revenue are never at risk

# Anticipated Funding for FirstNet Met Before Incentive Auction



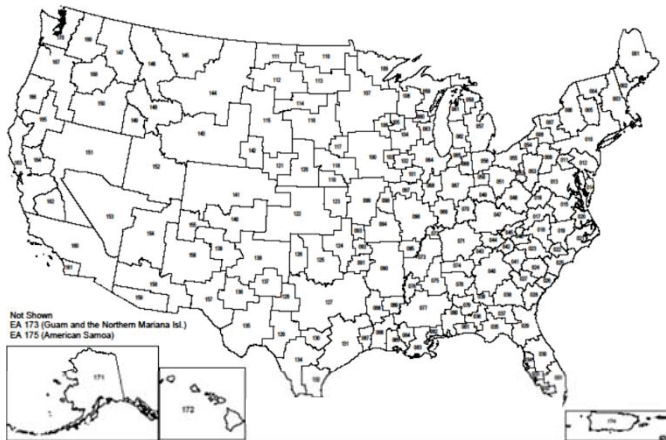
Spectrum Block	Estimated Proceeds (4Q2013)	Price per MHz-POP (Est.)
<i>H Block</i> 1915-1920 MHz/1995-2000 MHz	\$1.6-\$2.3 billion	\$0.50-\$0.75
<i>AWS-3</i> [1755-1780] <sup>1</sup> /2155-2180 MHz	\$6.3-\$9.4 billion	\$0.80-\$1.20
<i>1695 Band</i> 1695-1710/[unspecified 15 MHz in the Spectrum Act]	≥\$1 billion unpaired; \$2.3-\$4.7 billion paired	≥\$0.21 if unpaired; \$0.50-\$1.00 if paired
<b>Total (without 600 MHz)</b>	<b>\$8.9-\$16.4 billion</b>	--

<sup>1</sup> Proceeds from the auction of this spectrum band do not go to the Public Safety Trust Fund and so are excluded from these calculations

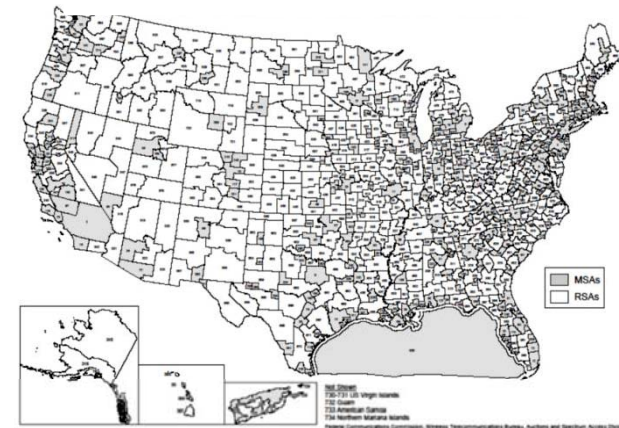
# Different License Sizes Proposed



176 Economic Areas (EAs) ...



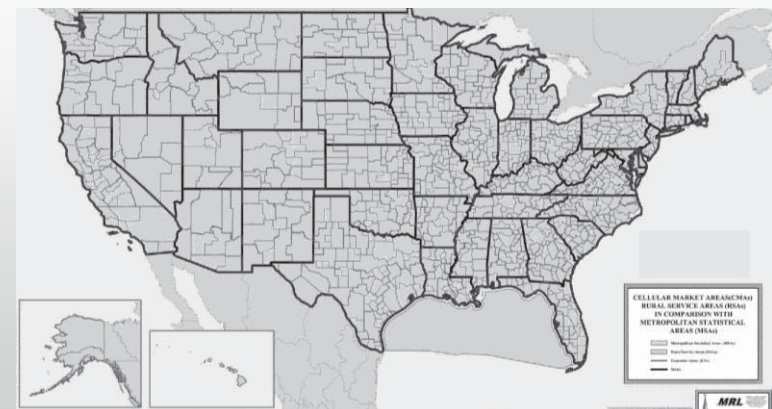
... 734 Cellular Market Areas (CMAs)...



...350 Partial Economic Areas (PEAs)...



...or 176 EAs followed by 429 RSAs



# Package Bidding Poses Serious Challenges

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- A package bidder's withdrawal creates excess supply, price uncertainty, questions of bidding eligibility, and other problems peculiar to the incentive auction context.
- Package bidding creates damaging opportunities for strategic bidding.
- Package bidding is not necessary if reasonable spectrum-aggregation limits are adopted because limits reduce bidders' exposure risk.



# Three Steps to Ensure Interoperability

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- Require interoperability of all 600 MHz licensees
- Design band plan to permit deployment with a single band class
- Assign licenses randomly or quasi-randomly to create durable incentives for interoperability

# Scoring Helps Clear Spectrum

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- The FCC should start reverse auction prices at different levels for stations that have different values.
- The goal of scoring is not to name the right price for any station, but rather to ensure the starting price better reflects the relative value of a station.
- Scoring will increase the amount of spectrum made available for broadband, accelerate the auction process and result in more revenue for the U.S. Treasury.
- Scoring can help broadcasters by more effectively distributing funds in the reverse auction.